



DESPITE SIMILARITIES, HOUSE AND SENATE BUDGETS CONTAIN MAJOR POLICY DIFFERENCES

The budget resolution reported by the Senate Budget Committee, which has not yet been considered by the full Senate, is broadly similar to the budget resolution passed by the House. Both resolutions fund the President's recommended increases for defense and homeland security, increase spending for education, provide prescription drug coverage for America's seniors, and reaffirm the safety net for the farm community. Even the cumulative surplus figures for the 2003-2007 period differ by only \$5 billion.

Yet the Senate budget claims higher spending for education, prescription drug coverage, and subsidizing health insurance for the uninsured.

How does the Senate Budget Committee do it? In a word, gimmicks.

To achieve the level of fiscal restraint called for in the House-passed budget resolution, the Senate relies on two gimmicks that improve the bottom line: cutting the administration's defense request while claiming it is "reserved" for defense; and assuming \$139 billion in unspecified savings. Without those gimmicks, it becomes clear that the House and Senate budgets have major differences about the direction of Federal fiscal policy over the next 5 years.

The table on the next page compares the budget aggregates in the House-passed resolution with those in the Senate-reported budget, both including the gimmicks and excluding the gimmicks. The table shows that, under the baseline assumptions of the Congressional Budget Office, the Senate budget provides for a unified budget surplus totaling \$57 billion over the 2003-2007 period, an amount that is comparable to the surpluses recommended in the House-

passed resolution. Excluding the gimmicks, however, Senator Conrad's budget would show a net unified budget *deficit* of \$58 billion over the next 5 years.

The Senate Budget Committee Gimmicks

While the Senate-reported budget resolution funds the President's defense request for 2003 and 2004, after 2004 the Senate budget places in a reserve fund the difference between the request and the 2004 level adjusted for inflation. Amounts placed in reserve usually are included in the budget totals and the computation of the surplus or deficit, on the assumption that the conditions for releasing the reserve will be met. The Senate budget, in contrast, does not include its defense reserve in the budget figures. Thus, the reserve fund looks more like a gimmick to avoid acknowledging that the Senate budget simply assumes that the military will not need a real increase in resources after 2004. That gimmick provides \$225 billion in additional surplus in the 2005-2012 period (\$51 billion for 2005-2007).

The Senate-reported budget also fails to make the hard choices in other spending areas. It contains \$139 billion in unspecified spending reductions in the next 10 years (\$55 billion over the next 5 years). Of that amount, \$95 billion comes from the Senate Committee's failure to choose between prescription drugs and assistance for the uninsured. The Senate budget includes both a \$500 billion drug plan and \$95 billion additional funds for the uninsured; but in fact it limits spending for both of these items together to \$500 billion over 10 years. The \$95 billion ostensibly for the uninsured is completely offset in the "allowances" function. The Senate-reported budget also assumes \$15 billion in unspecified discretionary savings over the next 5 years.

Policy Differences Between the House and Senate

Even allowing the savings assumed as a result of the gimmicks, the House-passed budget resolution is more fiscally conservative than the Senate-reported budget. Major policy differences are summarized below:

- **Overall Spending.** The Senate budget spends more than the House. The Senate spends \$17 billion more in 2003, and \$29 billion more over the 2003-2007 period.
- **Deficits/Surpluses.** The Senate budget posts a larger deficit in 2003 and smaller surpluses for the 2004-2007 period. The 2003 deficit in the Senate-reported budget is \$13 billion larger than the amount contained in the House-reported budget.
- **Debt Reduction.** The House-passed resolution achieves a lower level of debt held by the public in each year from 2003 through 2007.
- **Tax Relief.** The Senate does not provide for tax legislation. The House budget provides \$28 billion for revenue reductions over the next 5 years.
- **Discretionary Spending.** The Senate's proposed discretionary budget authority level for 2003 is \$9 billion higher than the figure contained in the House-passed resolution.
- **Mandatory Spending.** The Senate would increase mandatory spending \$34 billion more than the House over the next 5 years.

Comparison of House-Passed and Senate-Reported Budget Resolutions												
(In billions of dollars)												
	Using OMB Baseline						Using CBO Baseline					
Fiscal year	2003	2004	2005	2006	2007	2003-2007	2003	2004	2005	2006	2007	2003-2007
House-Passed												
Total Spending	2,123	2,194	2,290	2,384	2,481	11,472	2,121	2,199	2,300	2,402	2,502	11,524
Total Revenues	2,077	2,200	2,356	2,472	2,593	11,698	2,042	2,175	2,332	2,458	2,580	11,587
Surplus/Deficit (-)	-46	6	66	88	112	226	-79	-24	32	56	79	64
Debt Held by the Public	3,490	3,500	3,443	3,364	3,265	na	3,503	3,541	3,525	3,485	3,420	na
Senate-Reported												
Total Spending	2,140	2,201	2,303	2,384	2,474	11,501	2,138	2,206	2,312	2,403	2,495	11,555
Total Revenues	2,081	2,205	2,362	2,477	2,597	11,723	2,046	2,180	2,338	2,463	2,585	11,612
Surplus/Deficit (-)	-58	4	59	93	124	221	-92	-27	26	60	90	57
Debt Held by the Public	3,503	3,515	3,465	3,381	3,270	na	3,517	3,558	3,548	3,503	3,428	na
Senate-Reported, Excluding Gimmicks												
Total Spending	2,141	2,212	2,325	2,418	2,520	11,615	2,140	2,217	2,335	2,437	2,542	11,670
Total Revenues	2,081	2,205	2,362	2,477	2,597	11,723	2,046	2,180	2,338	2,463	2,585	11,612
Surplus/Deficit (-)	-60	-7	37	59	78	108	-93	-37	3	26	43	-58
Debt Held by the Public	3,504	3,527	3,499	3,449	3,385	na	3,518	3,569	3,583	3,572	3,543	na
Details may not add to totals because of rounding.												

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